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No. 07-1516

IN THE

Supreme Court of the United States

MARY J. BLIGE, BRUCE MILLER, RONALD LAWRENCE, DANA STINSON, AUSAR MUSIC, MARY J. BLIGE PUBLISHING, BRUCE MILLER PUBLISHING, MARY J. BLIGE MUSIC, DAYNA S. DAY PUBLISHING, WARNER-TAMERLANE PUBLISHING CORP., UMG RECORDINGS, INC., UNIVERSAL STUDIOS, INC., UNIVERSAL MUSIC PUBLISHING, INC., and UNIVERSAL MUSIC & VIDEO DISTRIBUTION CORP.,

Petitioners,

v.

SHARICE DAVIS,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioners' corporate disclosure statement was set forth at page *ii* of their Petition for a Writ of Certiorari, and there are no amendments to that statement.

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1 Melvin B. Nimmer & David Nimmer, Nimmer on Copyright (2005) §6.11 5

REPLY BRIEF OF PETITIONERS

Respondent's opposition to *certiorari* is fatally premised on her selective reading of the legislative history of the 1976 Copyright Act. Respondent contends that when the Court of Appeals for the Second Circuit ruled that a license or transfer of a copyright could not act retroactively to defeat the accrued infringement claim of a co-owner, it merely fulfilled a Congressional directive for the courts to define the rights of co-owners of copyright.

Respondent partially quotes H.R. Rep. No. 94-1476 (1976) at 121, Brief in Opposition at 8, 9, where Congress stated:

> There is no need for a specific statutory provision concerning the rights and duties of the coowners of a work; **court-made law on this point is left undisturbed**. Under the bill, as under the present law, coowners of a copyright would be treated generally as tenants in common . . . . (emphasis added).

Respondent's emphasis on "court-made law" in the legislative history ignores the specific statutory grant of free alienability of copyright to all owners in §201(d), rendering a separate grant to joint owners superfluous. Her attempts to conflate the judicially created right to grant non-exclusive licenses with the freedom of alienation contained in §201(d), Brief in Opposition at 2, 12, cannot obscure or alter the fact that the latter right is statutory, not court-made. Respondent's statement that there is no explicit statutory authority bearing upon

the area covered by the Second Circuit's decision is erroneous. *Id.* at 12. The quoted passage does not contain any authorization for the courts to demarcate or re-define the rights of co-owners of copyright. Rather, Congress expressed its satisfaction with the law regarding the rights of co-owners as it stood and which, in its words, was "left undisturbed." That law, in the legislative language that Respondent fails to include, entailed "each coowner having an independent right to use or license the use of a work, subject to a duty of accounting to the other coowners for any profits." *Id.* Prior to the decision below, there was no court-made law limiting the alienability of copyright or restricting the right of an owner to compromise an infringement claim.

The Second Circuit however, curtailed the right of a co-owner to independently license or transfer a copyrighted work when another owner has an accrued infringement claim, and ruled that the previously recognized right to an accounting was no longer a sufficient remedy in such circumstances. The non-licensing or non-transferring owner is now afforded a "vested right" in an infringement claim and is no longer limited to pursuing an accounting claim against her co-owner.

To the extent that Congress made reference to "court-made law," it expressed its approval with the existing state of the law. At the time of the 1976 Copyright Act, the law was well developed that joint owners of copyright possessed the right to grant non-exclusive licenses in a copyrighted work without

obtaining the consent of co-owners. *Meredith v. Smith*, 145 F.2d 620, 621 (9th Cir. 1944); *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, 140 F.2d 266, 268 (2d Cir. 1944); *Piantadosi v. Loew's, Inc.*, 137 F.2d 534, 536-37 (9th Cir. 1943); *Klein v. Beach*, 232 F. 240, 247 (S.D.N.Y. 1916), *aff'd on other grounds*, 239 F. 108 (2d Cir. 1917).

Moreover, the House Judiciary Committee commissioned a study that concluded that the right of one co-owner to license the work without the consent of co-owners was the distinguishing feature of American copyright law with respect to joint ownership of copyrights. G. D. Cary, Joint Ownership of Copyrights, Copyright Law Revision, Studies Prepared for the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Committee on the Judiciary, Study No. 12, 86th Cong. 1st Sess., Studies 11-13, at 105 (H. Jud. Comm. 1960). Congress left undisturbed this state of the law.

Except for the rare circumstance where a license resulted in a destruction of the copyright, prior to the opinion of the court below, there was no restriction on the right of a co-owner of copyright to exploit the work herself or to grant a nonexclusive license to third parties. "That right is unconditional." *Williams v. Arc Music Corp.*, 121 F.3d 720 (9th Cir. 1997) (unpublished) at *2. Similarly, Congress, and not Petitioners, referred to the "unlimited alienability" of copyright as codified at 17 U.S.C. §201(d). H.R. Rep. No. 94-1476, 123 (1976). Congress did not contemplate a two-tier, pre-infringement/post-infringement system, where an owner's right to transfer or license her property is

entirely dependent upon whether her co-owner has an accrued claim for copyright infringement.

The Second Circuit's ruling that a co-owner with an accrued copyright infringement claim may trump her co-owner's right to license or transfer her property is at variance with several provisions of the Act. Contrary to Respondent's argument, Brief in Opposition at 9, the ruling below assumes a legislative function. Indeed, the right to pursue or settle a claim for copyright infringement is not among the statutorily defined exclusive rights, 17 U.S.C. §106, which may only be conveyed by all co-owners. Under the regimen established by the court below, an infringement claim cannot be fully settled without the participation and consent of all co-owners and is now equivalent to an exclusive right. Only Congress can create an exclusive right under the Act.

Pursuant to §201(d), a co-owner's rights are fully transferable and entitled "to all of the protection and remedies accorded to the copyright owner by this title." Under the ruling below, such rights are now no longer fully alienable or fully protected because they are limited and subject to defeasance by the rights of co-owners with pre-existing infringement claims.

Congress also did not consider a copyright co-owner to be an indispensable party to a claim for infringement, 17 U.S.C. §501(b), as the court below recognized. A-16-17. Nevertheless, by its decision, the Second Circuit has effectively amended the statute to make all owners indispensable parties to a full resolution of an infringement claim. Congress alone has the power to effect such amendment of the Act.

While the court below ran roughshod over key provisions of the Act, it derived its decision from other areas of law. Respondent acknowledges that there are "pertinent distinctions" between patent and copyright law that make reliance on one body of law inappropriate for the other. Brief in Opposition at 15. Specifically, Respondent concedes that, unlike copyright, patent infringement cases require joinder of all patent holders, and there is no duty among joint patent holders to account to each other. Respondent suggests that these rules may be altered by private contract among the patent holders. Respondent overlooks the fact that until the ruling by the court below, the issue raised in this case was similarly obviated by private contract for at least sixty years. Thus, in *Meredith v. Smith*, *supra*, the Ninth Circuit explained that there was an agreement that "neither of the copyright owners would give a permit to a third person to use the copyright without the permission of the other . . . ." 145 F.2d 621. *See also* 1 Melvin B. Nimmer & David Nimmer, Nimmer on Copyright, §6.11 (2005).

Permitting parties to privately contract to prohibit alienation or licensing without mutual consent is a more modest and sensible approach than changing the manner in which numerous industries have hitherto routinely conducted their business, which the court below radically altered when it broadly outlawed retroactive assignments and licenses. Respondent's disapproval of assignments and licenses that are obtained after there has been an otherwise infringing use of a work, Brief in Opposition at 19, does not alter the fact that retroactive transfers are commonplace.

Straus v. DVC Worldwide, Inc., 484 F. Supp. 2d 620, 632 (S.D. Tex. 2007) (providing for higher fees for retroactive licenses in photography industry); *Stehrenbertger v. R.J. Reynolds Tobacco Holdings, Inc.*, 335 F. Supp. 2d 466, 467 (S.D.N.Y. 2004) (discussing graphic artists' use of retroactive license fees). *See also* "Mary J. Blige: No More Retroactive Copyright Licensing Drama," 25 WTR Ent. & Sports Law (Winter 2008) 11, 12; "No More Drama? The Past, Present, and Potential Future of Retroactive Transfers of Copyright Ownership," 18 DePaul J. Art, Tech. & Intell. Prop. L. 127, 133 (2007).

The Second Circuit's opinion not only fails to address the commercial realities of exploitation of copyrighted works, it proceeds from the erroneous assumptions that all infringements are inherently evil and that non-licensing owners are benevolently motivated. There are many degrees of infringement, including inadvertent, innocent or expedient uses that before now were readily corrected through retroactive assignments or licenses. By contrast, a copyright owner may withhold her consent to an assignment or license for malicious or entirely mercenary motives. Contrary to the Second Circuit's assumption that an infringer could cheaply bargain for a lower price from an owner willing to grant a retroactive assignment or license, in practice transferees pay a premium for retroactive transfers. *Straus v. DVC Worldwide, Inc., supra*; *Stehrenbertger v. R.J. Reynolds Tobacco Holdings, Inc., supra.* Nevertheless, it is impossible to reconcile the court below's preference for one co-owner's accrued infringement claims over her co-owner's freedom to assign or license the copyrighted work under the auspices of the constitutional mandate of promoting the

"progress of Science and the useful arts." U.S. Const., art. 1, §8, cl. 8.

Respondent does not challenge the confusion and serious consequences that will befall potential assignees and licensees of copyrighted works if the opinion below is permitted to stand. She offers that these consequences may be avoided through future cases limiting the scope of the ruling. Brief in Opposition at 3. Acknowledging the difficulties transferees will encounter in identifying all of the owners of exclusive rights, Respondent suggests that the ruling should not apply to co-owners who do not diligently reveal their identity in accordance with some unspecified time frame. Respondent decrees that these dilatory co-owners are undeserving of the vested right of infringement, and, as to those copyright holders, the law should revert to the standards that prevailed before the court below ruled, which limit such co-owners to an accounting. Brief in Opposition at 21. Respondent's bifurcated view underscores the flaw in the Second Circuit's decision to permit statutorily created rights to fluctuate according to the rights of co-owners to maintain infringement claims.

The Second Circuit's opinion has effected a material reversal in the law of joint ownership of copyright that is without support in the Act, its legislative history or copyright precedents. Limitations on the rights of copyright owners should be undertaken by Congress, not the courts, *Stewart v. Abend*, 495 U.S. 207, 216 (1990), a judicial admonition that has particular resonance when Congress has indicated in the legislative history its reluctance to alter the prevailing law with respect to the very rights in question.

Certiorari is clearly warranted here to consider an important question of federal law that has not been, but should be, settled by this Court and which conflicts with relevant decisions of this Court on the separation of powers with respect to the interpretation of the Act. *Eldred v. Ashcroft*, 536 U.S. 186, 211 (2003).

CONCLUSION

The Petition for Writ of Certiorari should be granted.

Respectfully submitted,

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